

# City of Detroit

## CITY COUNCIL

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TO: Dan Carmody, President  
Eastern Market Corporation

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: May 6, 2008

RE: 2008-2009 Budget Analysis

24.

Attached is our budget analysis regarding your department's budget for the upcoming 2008-2009 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing on **Thursday, May 8, 2008 at 11:00 a.m.** We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:ss

Attachment

cc: Councilmembers  
Council Divisions  
Auditor General's Office  
Pam Scales, Budget Department Director  
Norman White, Chief Financial Officer  
Short, Renee, Budget Department Team Leader  
Kerwin Wimberly, Mayor's Office

## **Eastern Market Corporation**

### **FY 2008-09 Budget Analysis by the Fiscal Analysis Division**

#### **Summary**

On June 20, 2006, the Detroit City Council authorized a Management and Promotion Agreement between the City of Detroit and the Eastern Market Corporation (EMC) wherein the EMC will operate the public market and promote economic development in the one-mile Market District. Eastern Market operations have been officially transferred to the Eastern Market Corporation. The agreement calls for the City of Detroit to retain ownership of the property.

The Eastern Market Corporation is a non-profit "umbrella organization" created to equally include representatives of the City of Detroit, Eastern Market stakeholders and persons with a special interest in the market, including corporate and foundations.

The Eastern Market Corporation's 2007-08 Draft Operating Budget (attached) includes revenues of \$1.68 million. The source of the \$1.68 million revenue is, \$824,000 from Market Vendors (shed revenue), \$250,000 from CDBG (29.1%), \$10,000 from Interest Income, \$50,000 from Miscellaneous Income, and \$550,000 from Contributions from foundations. Budgeted expenses of also \$1.68 million offset the revenues of \$1.68 million. The budgeted expenses include \$767,000 for salary and benefits.

The Eastern Market Corporation does not have a draft budget available for the 2008-09 FY.

#### **The Eastern Market Corporation Work Plan calls for the following:**

- Renovation of Sheds 2, 3, and 5 for increased days of operation.
- Establishing the Market as Southeast Michigan's food center.
- Establishing an education center and community outreach at Eastern Market.
- Streetscape and public space improvements
- Support of existing businesses and attraction of new businesses and residential development to the Market district.

Eastern Market Corporation has formulated a series of seven initiatives.

#### **Initiatives:**

1. Create a flexible-use market space that will integrate market sheds and the adjacent retail store frontage into a Market Square. This will increase the market's days and hours of use, celebrate its historical character and allow market businesses to capitalize on event audiences.
2. Increase the metropolitan Detroit community's accessibility to high quality farm-fresh produce, attract new seasonal growers, and re-establish the market as a premier center for fresh foods through the creation of improved fresh food vendor stalls in historic Shed 2.

3. Improve winterization and add refrigeration to the market's Shed 3 to create a year-round and predictable destination for a healthy array of fresh and specialty foods.
4. Create a new resource to engage the community with food, farm, and nutrition-relation educational programs, add visitor amenities, and enhance the market as an attractive destination through the construction a new Market Services and Food Education Center.
5. Broaden the market's strength in plants and flowers by adding retail greenhouse space to Shed 5 to foster year-round sales.
6. Encourage economically sustainable agriculture product, foster rural-urban educational partnerships and cultivate entrepreneurial opportunity for fresh food producers.
7. Invest in the infrastructure of the market to increase visibility, security, and access resulting in an improved identity, attractiveness and a people-friendly experience.

#### Eastern Market impact on the 2008-09 Budget

**Pg 35-32** The Mayor recommends a reduction to zero in the 2008-09 FY. This is reduced from \$1 million in capital funds for Capital Improvements for the Eastern Market in Non Departmental appropriation 12387 Eastern Market Capital budgeted in the current fiscal year.

**Page 36-12** The Mayor recommends no block grant funds for the Eastern Market next fiscal year. \$150,000 was allocated from block grant for the market in the current fiscal year.

**Page 39-9** The Mayor recommends an operating subsidy of \$162,914 for the Eastern Market out of Recreation's budget for 2008-09. This represents a \$612 increase over the current fiscal year's subsidy amount.

#### Issues and Questions

The Eastern Market Corporation Work Plan indicates that the renovation of Sheds 2, 3, and 5 will assist in increasing the days of operation for the Eastern Market.

- The work for Shed 2 projected at \$1.7 million, was projected to start October 2006, was scheduled for completion in September 2007. What is the current status of this project and when will the work be completed?
- The work for Shed 3 projected at \$3.9 million, was projected to start July 2007, was scheduled for completion in October 2008. What is the current status of this project and is this project on schedule to be completed this October? If not, when?

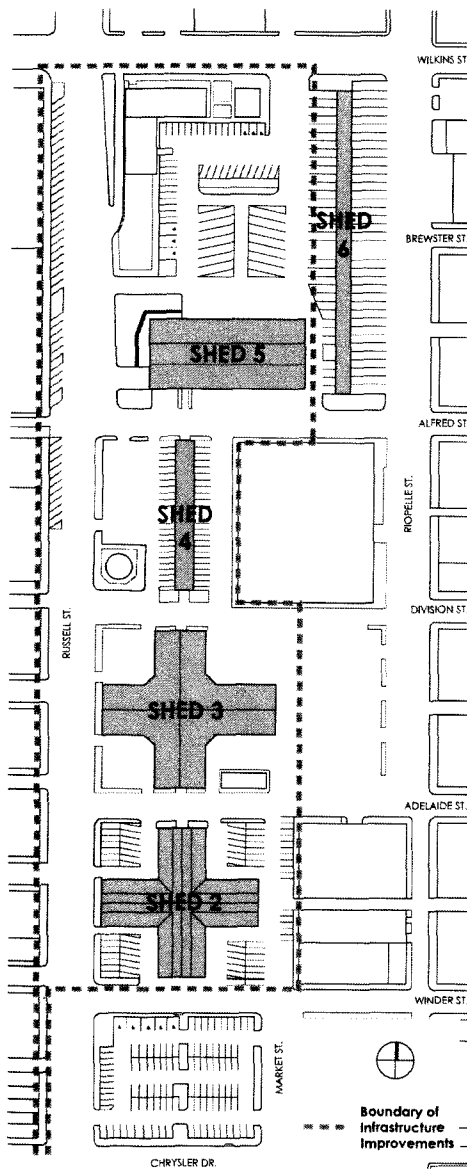
- The work for Shed 5 projected at \$1.2 million, was projected to start July 2007, was scheduled for completion in June 2008. What is the current status of this project and is this project on schedule to be completed next month? If not, when?
- How soon does the EMC anticipate it will increase its days of operations?

The EMC's budget includes \$767,000 for salary and benefits for 2007-08.

- How many full and part-time positions are included in this budget?
- How many of the positions are vacant?

Attachments: Eastern Market Capital Program  
Eastern Market Corporation 2007-08 Draft Operating Budget  
Eastern Market Directory (Map of Market Area)

IC:DH



#### SHED 2:

Increase the Detroit community's accessibility to high quality farm-fresh produce, attract new seasonal growers and re-establish the Market as a premier center for fresh foods in the area through the creation of improved vendor stalls in historic Shed 2. This Shed will be the location for 48 vendors, including local growers attracted through EMC's outreach program.

#### Funding Sources:

Foundation	\$ 300,000
Corporate/Private	\$ 400,000
Government	\$ 1,000,000
<b>TOTAL</b>	<b>\$ 1,700,000</b>

**Project Start/Completion:** Oct. 2006/Sep. 2007

#### INFRASTRUCTURE:

Public funds principally support the parking areas, sidewalks, lighting and water, sewer and signage required to support the shed renovation.

#### Funding Sources:

Government	\$ 4,000,000
<b>TOTAL</b>	<b>\$ 4,000,000</b>

**Project Start/Completion:** June, 2007/Dec., 2008



#### SHED 3:

Renovate and winterize this historic shed to create a year-round Market Hall which will be open 3-5 days a week and serve the Eastside community a healthy array of fresh and specialty foods. A renewed Shed 3 becomes the "heart of the Market" and a destination for Detroiters. Thirty-six tenants, including four larger "cornerstone" sellers, offering meats, bakery, dairy and prepared foods, will provide shoppers with high quality and diverse products on a year-round basis.

#### Funding Sources:

Foundation	\$ 2,900,000
Corporate/Private	\$ 1,000,000
<b>TOTAL</b>	<b>\$ 3,900,000</b>

**Project Start/Completion:** July, 2007/Oct., 2008



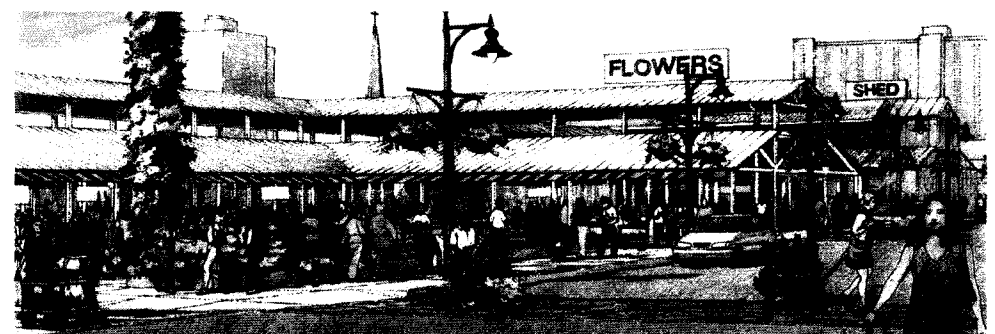
#### SHED 5:

Broaden the Market's strength in plants and flowers by adding retail greenhouse space to foster year-round sales. Create a major destination within Detroit and the Market for plants and flowers.

#### Funding Sources:

Foundation:	\$ 700,000
Corporate/Private	\$ 500,000
<b>TOTAL</b>	<b>\$ 1,200,000</b>

**Project Start/Completion:** July, 2007/June, 2008



**EASTERN MARKET CORPORATION  
DRAFT OPERATING BUDGET  
2007-2008**

EMC 2007-2008 Budget  
Board approved 10-24-07

	Contributions	Vendor Revenues	CDBG Block Grant	Total Operating Funds
<b>REVENUES</b>				
Market Vendors, other rentals		\$824,000	\$0	\$824,000
CDBG			\$250,000	\$250,000
Interest Income		\$10,000		\$10,000
Msc. Income	\$50,000			\$50,000
Interfund Transfer				
Contributions	\$550,000			\$550,000
<b>Revenue Total</b>	<b>\$600,000</b>	<b>\$834,000</b>	<b>\$250,000</b>	<b>\$1,684,000</b>
<b>EXPENDITURES</b>				
<b>Personnel</b>				
Salaries	\$215,000	\$345,000	\$100,000	\$660,000
Tax Liability	\$40,000	\$82,000	\$10,000	\$132,000
Full-time Fringe Benefits	\$20,000	\$70,000	\$17,000	\$107,000
<b>Personnel Sub-Total</b>	<b>\$275,000</b>	<b>\$497,000</b>	<b>\$127,000</b>	<b>\$899,000</b>
<b>Professional Fees</b>				
Audit, Accounting		\$15,000	\$20,000	\$35,000
Legal		\$30,000		\$30,000
Econ Development	\$50,000		\$38,500	\$88,500
Communications	\$10,000			\$10,000
Outreach Plan	\$55,500			\$55,500
Evaluation	\$44,000			\$44,000
<b>Professional Fees Sub-Total</b>	<b>\$159,500</b>	<b>\$45,000</b>	<b>\$58,500</b>	<b>\$263,000</b>
<b>Office Expenses</b>				
Office Supplies	\$10,000	\$4,000	\$10,000	\$24,000
Telephone	\$6,000	\$4,000		\$10,000
Office Equipment	\$4,000	\$2,000	\$3,500	\$9,500
Leased Office Equipment		\$3,000		\$3,000
Financial Reporting Services	\$14,000	\$6,000		\$20,000
Postage			\$2,000	\$2,000
Memberships, Subscriptions, Professional				
Certifications	\$3,000	\$2,000		\$5,000
Insurance	\$10,000	\$8,000		\$18,000
Printing/Reproduction/Production	\$20,000	\$2,000	\$7,000	\$29,000
Travel/Professional Development	\$22,000			\$22,000
<b>Office Expenses Sub-Total</b>	<b>\$89,000</b>	<b>\$31,000</b>	<b>\$22,500</b>	<b>\$142,500</b>
<b>Maintenance and Security</b>				
Security		\$50,000	\$22,000	\$72,000
Groundskeeping		\$78,500		\$78,500
Maintenance and Repair		\$100,000		\$100,000
Market supplies		\$18,000		\$18,000
Capital Equipment	\$29,500	\$14,500	\$20,000	\$64,000
<b>Maintenance and Security Sub-Total</b>	<b>\$29,500</b>	<b>\$261,000</b>	<b>\$42,000</b>	<b>\$332,500</b>
<b>Marketing/Promotion/Education</b>				
Communications	\$7,000			\$7,000
Events	\$20,000			\$20,000
Advertising/Promotions	\$20,000			\$20,000
<b>Marketing Sub-Total</b>	<b>\$47,000</b>	<b>\$0</b>		<b>\$47,000</b>
<b>Total Expenses</b>	<b>\$600,000</b>	<b>\$834,000</b>	<b>\$250,000</b>	<b>\$1,684,000</b>

## EASTERN MARKET DIRECTORY

### ANTIQUES ART GALLERIES & COLLECTIBLES

- 1 Charles Johnson Art Gallery
- 2 Designs in Color
- 3 Eastern Market Antiques & Flea Market
- Always an Occasion
- Gifts & More
- C & M Collectibles
- Debbie's Variety Shop
- Diane's Antiques & Unusuals
- Eastern Market Communications
- Eastern Market Printing & Signs
- Future Dreams (Sports Cards)
- Healthy Ways
- Joe's Upholstery
- Lord David (Barber)
- Mary's Place
- Nu-2-U Fashions
- Princess Fine Jewelry
- Ria's Boutique (W/R)
- Rashid's Flowers & Gifts
- Vintage Handwood Furniture
- 4 Market Place Antique Gallery
- 5 Photography Inc.
- 6 Wood Fine Art (by apt.)

### APARTMENTS/LOFTS

- 7 Rocky Lofts
- 8 E & B Lofts
- 9 Gratiot Lofts

### AUTO/GASOLINE SERVICE

- 10 BP Station - Gratiot
- 11 Willie Davis Shell - Mack

### BAKERIES

- 12 Johnny Mac's Cookie Factory
- 13 Milano's Bakery

### BANKS

- 14 Comerica Bank
- 15 Bank One

### BEVERAGES

- 16 Cast Plus Wine Shoppe
- 17 Joe's Wine & Liquor Store
- 18 Pepsi-Cola Company

### BUSINESS OFFICES & SERVICES

- 19 Brewery Park Office Complex
- 20 Bureau of Markets-Information
- 21 Citizen's District Council
- 22 Detroit Edison - Alfred Station
- 23 Detroit Fire Department
- 24 Detroit Police Department - 7th Precinct
- 25 Eastern Market Development Commission
- 26 Eastern Market Merchants' Association
- 27 Santeam Meat Inspection Services
- 28 Wayne County Dept. of Social Services

### CHEESE & SPECIALTIES

- 29 R. Hirt Jr. Co. (W/R)

### CHURCHES

- 30 Historic Trinity
- 31 Sacred Heart
- 32 Old St. John's
- 33 St. Joseph's

### CLINK

### COLD STORAGE

- 34 Arrow Cold Storage
- 35 Eastern Market Cold Storage
- 36 Metro Cold Storage

### EGGS

- 37 Hurlid & Graves Company

### FOOD PRODUCTS & SERVICE DISTRIBUTORS

- 38 Butcher & Packer Supply Co.
- 39 D & A Distributing (W)
- 40 J. D. Food Company (W)
- 41 Kalil Enterprises (W)
- 42 Kitchen Et Cateri (W)
- 43 Motor City Food Distributors (W)
- 44 Statewide Food/Equipment Distributor (W)
- 45 Onza Bakery
- 46 Randy's Sausages
- 47 Ronnie's Meats
- 48 Sam's Produce
- 49 Star Fish & Seafood Co.
- 50 Wigley's Meats

### GROCERIES & FROZEN FOODS

- 51 Al's Salvage Grocery
- 52 Caramagno Foods Company

### IMPORTERS

- 53 Gabriel Importing Company (W/R)
- 54 Rafal Spice Company (W/R)
- 55 Tur's International (W)

### KEY & LOCK SERVICE

- 56 Mikey's Key & Lock Service (R)

### MEATS & POULTRY

- 57 Allied Provision Company (W)
- 58 Berry & Sons Islamic (W/R)

- 59 Hartig Quality Meat Supply (W)
- 60 Jimmy's Quality Meats (W/R)
- 61 Kap's Wholesale Food Services (W/R)
- 62 L.K.L. Packing, Inc. (W/R)
- 63 McInerney/Miller Brothers (W)
- 64 Michigan Packing Company (W)
- 65 Midwest Beef Company (W/R)
- 66 Mr. Basterma Meats (W)
- 67 Mr. Food (W/R)
- 68 P & R Meats (W)
- 69 Polack Meats (W)

- 70 T. Wigley Inc. (W)
- 71 Wolverine Packing Company (W)

### MKCELLANEOUS

- 72 Caramagno Natural Foods
- 73 Cheap Charlie's
- 74 Cyprian Center, Inc.
- 75 Fuch's Religious Goods
- 76 Greenbriar Foods (W)
- 77 Hot House Specialties, Inc.
- 78 Lambskin Corporation (W)
- 79 Mama Toni's Mini Mall (R)
- 80 New Vision Communications (R)

### NUTS

- 81 Germack's Pistachio Company (W/R)
- 82 Rocky Peanut Company (W/R)

### PRODUCE

- 83 Caramagno Brothers, Inc. Produce (W/R)
- 84 Carlo Caramagno Produce (W)
- 85 Bud Cool's Inc. (W)
- 86 Del Bene Produce, Inc. (W/R)
- 87 Dours Produce (W/R)
- 88 Eastern Produce Co. (W)
- 89 Grillo Produce, Inc. (W)
- 90 H&S Produce (W)
- 91 Jim Kinias Foods (W)
- 92 LaPiccolo Brothers Produce (W)
- 93 Jim Lumetta & Son (W)
- 94 Tom Maceri & Son (W)
- 95 Leonardo Maniaci & Sons (W)
- 96 Mancuso Produce (W)
- 97 Mercurio Brothers (W)
- 98 Metro Produce, Inc. (W/R)
- 99 Michigan Repacking & Produce Co. (W)
- 100 Mr. Maceri & Son Produce (W)
- 101 Tony Nuccio & Sons Sales, Inc.
- 102 Orlando's Produce (W)
- 103 Charlie Palazzolo & Sons, Inc. (W/R)
- 104 Pellicioni Produce Inc. (W)
- 105 Royal Diamond Farm Market Inc. (R)
- 106 Simon & Leeman Corporation (W)
- 107 The Specialty House (W)
- 108 Sunnyside Produce Company (W)
- 109 Tony-Lin Produce, Inc. (W)
- 110 United Specialty Produce (W)
- 111 Vitale's Watermelon & Plants (R)
- 112 Wholesale Produce (W)

### RESTAURANTS

- 113 Bert's Place
- 114 Burger King Restaurant
- 115 Butcher's Saloon
- 116 Eastern Market Bagel
- 117 Farmer's Restaurant
- 118 Flar Planet Pizza
- 119 Joe's Meatcutter's Inn
- 120 Joseph's Coney & Ham
- 121 Louisiana Creole
- 122 McDonald's Restaurant
- 123 Pete's On The Market, Shed #5
- 124 Roma Cafe
- 125 Russell Street Deli
- 126 Vivio's Restaurant
- 127 Zeff's Coney Island

### RESTROOMS WELCOME CENTER

Key: W (wholesale)  
R (retail)

